

EC1110 - Microeconomics  
Assignment 1 Key  
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**6<sup>th</sup> edition**

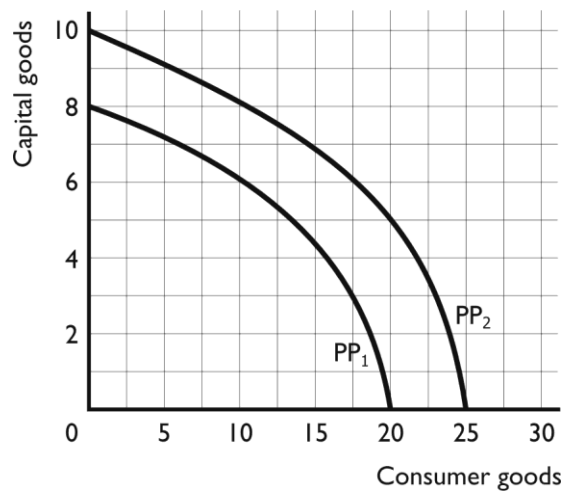
**Assignment # 1**

ANSWER KEY

**CHAPTER 1**

**36U. Key Problem**

- a) See the following figure:



- b) 19 units of consumer goods  
c) 3 units of consumer goods  
d) 1 1/3 units of capital goods

e) The law of increasing costs.

f) See the following table:

	A	B	C	D	E
Capital goods	10	7.5	5	2.5	0
Consumer goods	0	12.5	20	23.75	25

g) see Figure above

h) 20 consumer goods

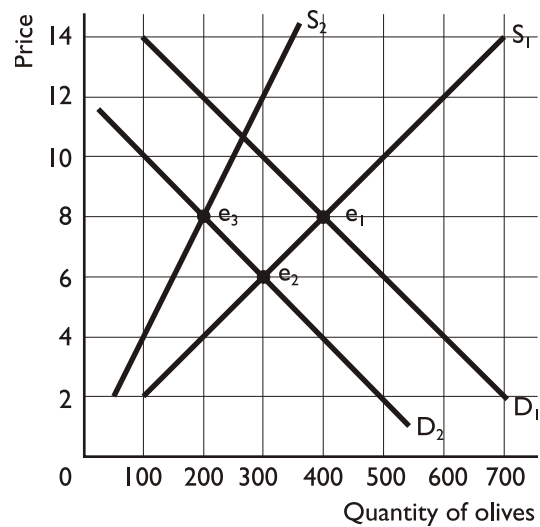
i) There must be unemployment, or inefficiency or inappropriate technology must be in use.

j) Improved technology, a larger capital stock or a larger labour force.

## CHAPTER 2

### 36U. Key Problem

a) See the following figure:



b) price = \$8;

quantity = 400

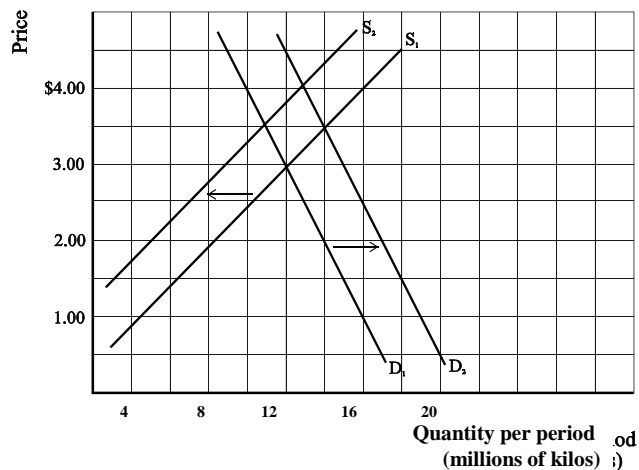
- c) surplus of 200
- d) see the figure above; new price = \$6; new quantity = 300
- e) see the figure above; new price = \$8; new quantity = 200

- 38U.**
- a)  $P = \$5$ ; quantity = 5
  - b)  $P = \$4$ ; quantity = 6
  - c) Surplus of 4.

### CHAPTER 3

- 36U.**
- a) Price = \$3; quantity traded = 10 million.
  - b) \$30 million.
  - c) \$32 million.
  - d) surplus of 6 million; dollar amount of the surplus = \$24 million; the government will have to buy the surplus.
  - e) See the following figure:

**Figure 3.26 (completed)**



Potato buyers will now be paying \$44 million (\$11 times 4 million)

- f) 3 million kilos; \$12 million.
- g) See Figure 3.26 (completed);  
Price = \$4; quantity = 11 million; there is no surplus.

